



WASHINGTON STATE
GAMBLING COMMISSION

Field Operation Rule Interpretation

Title: WAC 230-08-095(4)(f) Minimum Standards for monthly and annual accounting records-Charitable or Nonprofit Organizations

Summary: The Check Clearing for the 21st Century Act may make it impossible for licensees to receive cancelled checks for their checking accounts, which is required by this rule.

The new **Check Clearing for the 21st Century Act** that became effective October 28, 2004, changed the way checks are processed by the banking system. **Check 21** allows the banking industry to "truncate" checks by creating either an Image Replacement Document (IRD) or a paper "substitute check" to process information electronically rather than processing the original paper check. The IRD documents and substitute checks are required to contain readable images of the front and back of the check, and contain a valid magnetic ink character recognition line that accurately reflects data on the original check.

Although the Act does not require banks to utilize this method of electronic processing, the majority of banks will likely convert to this method over the next 12 to 18 months. Because the original paper check is replaced by the IRD or substitute check, banks that utilize the new method will no longer make cancelled checks available to their account holders.

Banks that choose to process checks under the new method are required to notify all customers that they may no longer receive their original checks back and instead may receive IRDs or substitute checks. Customers who have requested cancelled checks to be returned with their bank statements could then receive a mixture of substitute checks and cancelled checks.

Text:

Nonprofit and charitable licensees will be considered in compliance with the requirements of WAC 230-08-095(4)(f) as long as they maintain cancelled checks, IRDs, and/or substitute checks for all expenditures. If their bank utilizes the new processing method, but does not automatically provide IRDs or substitute checks, they must ask the bank to provide them so they will be in compliance with the rules and regulations.

Approved:

Cally Cass
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Washington State Gambling Commission

Date:

4/13/05